

THE
POLICY OF FREE TRADE;

A SERIES OF LETTERS

ADDRESSED TO

THE HONORABLE L. H. LAFONTAINE,
ATTORNEY GENERAL FOR CANADA EAST, ETC., ETC., ETC.

— Les hommes cherchent toujours le bonheur au-dehors, courent après son image
et ne voient pas que c'est chez eux qu'il faudrait l'établir. —

LETTER I.

MONTREAL:

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SIR,

Under the belief that enquiry becomes an imperative duty, when the interests of the Public are concerned, I respectfully address to you the remarks contained in the following letters, with the desire, that, occupying a distinguished position in the Councils of Her Majesty, in relation to the Government of this Province, you may be enabled to acquit yourself of your high duties, in such a manner, as to merit, not only the approval of your own conscience, but likewise, the commendations of your fellow citizens.

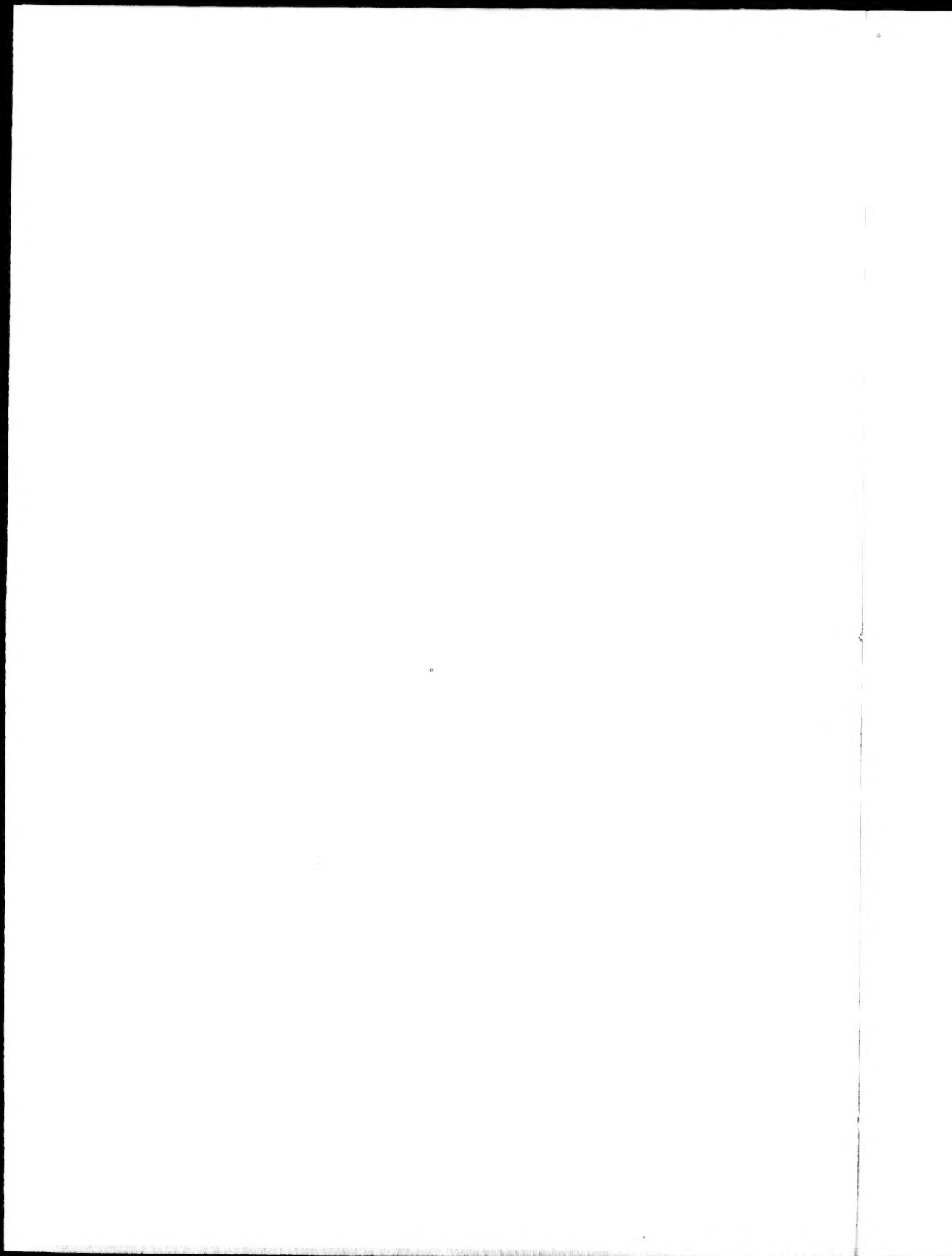
I remain,

Sir,

Your obedient humble servant,

D. V.

TO THE HON. L. H. LAFONTAINE,
Attorney General,
&c. &c. &c.



LETTERS
ON THE
POLICY OF FREE TRADE.

LETTER I.

" Les hommes cherchent toujours le bonheur au dehors, courent après son image,
et ne voient pas que c'est chez eux qu'il faudrait l'établir."

SIR,

It may perhaps appear presumptuous to open up anew, the consideration of a question which has, of late, been discussed at considerable length; and we may be accused of temerity in attempting to throw fresh light upon a subject, which, by many, may now be deemed sufficiently well understood.

Actuated, however, by the single desire of seeking to discover that line of policy which shall best promote the general prosperity of this Province, we feel constrained by a sense of duty, to refer to some of the measures which have been recommended, from time to time, for the attainment of that most desirable end.

The most prominent of these measures, and the one to which, in this letter, we shall particularly refer, is that of Free Trade, specially recommended by the Free Trade Association, of Montreal, as the best line of policy which this country can adopt, for the speedy development of its resources, and the promotion of the interests of all classes of its inhabitants.

After a careful and protracted research, we have been unable to discover, in the writings put forth, under the auspices of the Free Trade Association, any clue which would guide us to the knowledge of the reasons upon which we might suppose their proposition to be found-

ded; and though we have observed that, here and there, much seeming importance appears to be attached by that body, to the terms, "Buying in the cheapest, and selling in the dearest market"—"Protection is robbing Peter to pay Paul,"—"Trade, like water, will find its own level,"—yet, as we do not find that any attempt has been made, to unfold their meaning in argument, by the adaptation of the principles, which they may be supposed to involve, to the circumstances of this country, it would not only prove inconvenient, but perhaps useless, to attach to them a consideration which, it might be made to appear, they were not intended to possess.

If we conclude that it is in consequence of a belief in the general principles of Political Economy—a science which is yet in its infancy, and the terms of which are used by different eminent writers, to express different meanings—that the Gentlemen of the Free Trade Association have formed a preferable conclusion, in behalf of Free Trade, we might involuntarily fall into error, and after having spent some time in the review of those principles, we might be told that they have been considered, in relation to the peculiarities of our position, &c., or, in other words, in a modified sense.

We shall, therefore, probably, preserve ourselves freest from mistake, by assuming that from the principles involved in the terms to which we have referred, the Gentlemen of the Free Trade Association have drawn conclusions favorable to the beneficent operation of Free Trade, and that the meaning which they attach to them coincides with that with which they have been joined by the Free Trade party, in the old country, where the question of Free Trade has been amply discussed, in connection with arguments which have been well defined.

In the maxim, which recommends "Buying in the cheapest, and selling in the dearest market," will be found embodied the greatest part, if not the whole, of the principle

of Free Trade ; we shall therefore confine ourselves to its consideration.

Of all the maxims of the Free Trade Party, the one which seems, on account of its plausibility, to have inflicted greatest injury upon the cause of Protection, is that of "Buying in the cheapest, and selling in the dearest market," which, when considered in connection with the means to purchase with, and the possession of that which may be sold, appears so desirable, that we presume there are none so situated who do not desire to act as the maxim recommends.

These, however, must be regarded as purely relative terms, which pre-suppose the existence of the means with which to purchase, as well as the wherewithal, to sell :—therefore as the few who are in the possession of wealth, form the exceptional, and not the general condition of mankind, the advocates of Free Trade commit an important error, when, in relation to the circumstances of this country, they apply, in a money sense, the desirableness of "Buying in the cheapest, and selling in the dearest market."

An error somewhat similar was committed by the old Economists, who contended that the original source of all wealth was the soil, a misconception which disappeared before the brilliant light emitted from the mind of Adam Smith, who unanswerably proved that labour was the original source of all wealth, without which nothing could have been produced.

The difference between the old Economists, and modern Free Traders, appears to lie here—the former viewed the soil as the origin of all wealth, instead of labor ; the latter the possession of pre-existing wealth, as the universal medium of purchase, instead of labor, the only means of purchase possessed by the largest portion of society.

From this view of the question, we are led by easy steps to the discernment of the true light, in which labor, the purchase money of the laborer, must be regarded in rela-

tion to "Buying in the cheapest, and selling in the dearest market," as well as to the knowledge of what constitutes the cheapest market for labor to purchase in.

The mere possession of the capacity to labor is a negative good, unproductive to him who controls it, until such time as occasion shall offer for its employment :—we may therefore, with much justice infer, *that under any circumstances*, that market is the cheapest for labor to purchase in, wherein it can be most advantageously employed ; and that in no other market can labor acquire the power of purchasing than in that in which it can be exchanged for such commodities as ~~an~~ enter into its consumption, or for money with which to procure them.

In this country, where the productive class experience the greatest possible drawback from the want of capital and protection, there have, nevertheless, been established, by the force of enterprise and circumstances, a variety of manufactures, which, though limited in number and extent, and barely remunerative, as compared with what they might have been, under a more beneficent system of legislation, have, notwithstanding, in their effects, been productive of the most gratifying results to their respective localities, which, re-acting with a similar influence upon the country at large, have put in motion the wheels of labor, and consequently of consumption, to an almost inconceivable extent.

These manufactures, consisting of Steam Engines—Steam Boilers—Glass—Mill Stones—Woollens—Blankets—Cottons—Cotton Wadding and Batting—Pottery Ware—Corn Brooms—Pails—Nails—Spikes—Castings—Bar and Pig Iron—Stoves—Cart Wheel Trimmings—Axes—Brass Castings—Agricultural Implements—Ready Made Clothing—Furniture Ware—Floor and Table Oil Cloths—Silver and Gold Ware—Gold Leaf—Soap and Candles—Linseed Oil and Cake—Hats—Furs—Brushes—Combs—Harnesses—Hollow Ware—Blacking and Ink—Beer—Cider—Fire Engines—Carriages—Printing Types—Tobacco Pipes—

Paper—Leather—Boots and Shoes—Starch—Cordage, and others, consequent upon the Mechanic Arts, exercise an infinitely more powerful influence in developing the resources of the country, and in enlarging the means and promoting the general comfort of its inhabitants, *than the aggregated sum of all the commerce of the Country combined.*

If, under Free Trade, we could continue to give employment, not only to the same quantity of Manufacturing Industry as we do at present, but also possess the ability to enlarge it, in extent and variety, so as to correspond with the growing wants of the Country, then we confess that we do not see, in relation to their effects, wherein the difference lies between Protection and Free Trade; but when we consider that to be enabled to accomplish this, we must compete successfully with a neighboring people who are proverbially enterprising in their habits, and who, in addition to almost unlimited natural resources, and great practical skill, possess manufacturing machinery of every variety of the most perfect description, and abundance of capital; and when, in addition to these apparently almost insurmountable obstacles, it is obvious that Canada, under Free Trade, will become the cul-de-sac or reservoir into which Foreign Countries would throw their surplus stocks, satisfied if, for them, they received any thing in return—we confess that the struggle appears so unequal, that we might as reasonably believe in the triumph of physical weakness over physical strength, as believe that Canada would be able to sustain her Manufacturing Industry, under such uneven circumstances.

We think it will be admitted that one of the effects of Free Trade, would be the ruin of our Manufacturing Industry, present and prospective, which, while the consequences might be unimportant to the uninterested theorist, to every one possessing a stake in the Country, and to the Country itself, they could not fail to be attended with the most disastrous results.

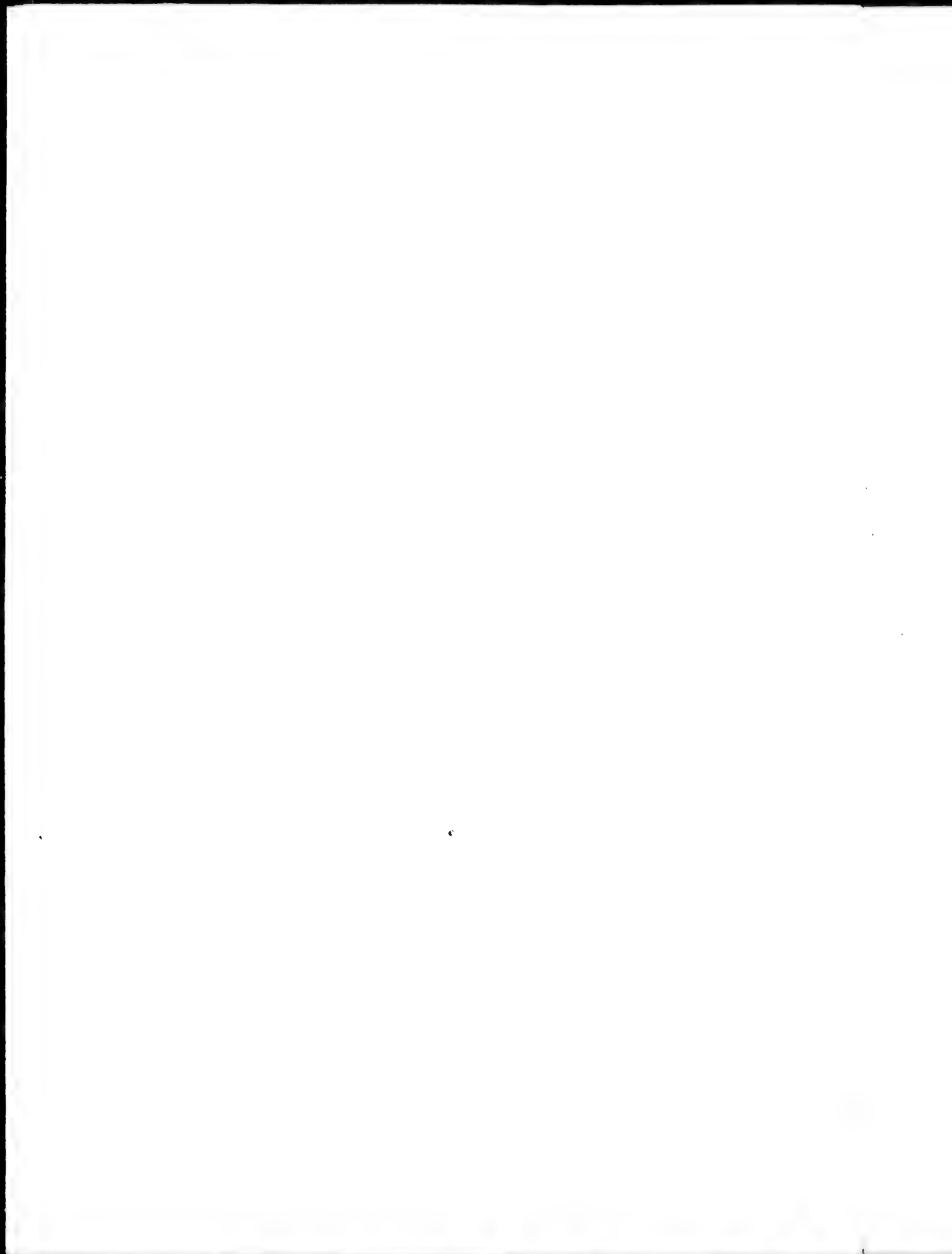
If mankind, however, could change their avocations and habits, formed by the results of inclination and time, with as little trouble and inconvenience as they change their wearing apparel, these results, deplorable though they appear, might, to a small extent, be overcome, and the industry which heretofore had found employment in manufactures might be engaged in following the plough; but the lives of men are not now prolonged like that of Methuselah, and human nature, notwithstanding the recommendations of Political Economy in this particular, seems perversely unwilling to throw away the knowledge which has cost it many years to acquire, to embrace a new pursuit, the knowledge of which must necessarily cost it many more.

Simultaneously with the destruction of our manufactures, the hands that carried them on would disappear, and with them, the subordinate industry, which, in various ways, contributed to supply their wants.

Canada would then become a producing Country for exportation, but, despoiled of her Home Market, and burdened with a Colonial debt and taxes, which would act with accelerated force upon depreciating property and industry, less remunerative than before, she would inevitably decline.

If our deductions are correct, it would appear not only disingenuous, but wicked and mischievous, to seek to procure for the labor of this Country the privilege of "buying in the cheapest and selling in the dearest market," by means which cannot fail to ensure its destruction; thereby entailing upon the community and the country, the loss of those benefits, which the employment of it is eminently calculated to confer.

In illustration of the great importance and intrinsic value of the Home Trade, we beg leave to refer to the opinions of Adam Smith and J. B. Say, in relation to its comparative advantageousness as compared with Foreign, and at the same time to the objections of McCulloch and



Ricardo, with reference to their view of the question; and to the reply of Mr. Atkinson, to the objections of McCulloch and Ricardo.

Adam Smith says :

"The Capital which is employed in purchasing in one part of the country, in order to sell in another, the produce of the industry of that country, generally replaces, by every such operation, two distinct capitals, that had both been employed in the Agriculture or Manufactures of that country, and thereby enables them to continue that employment—when it sends out from the residence of the Merchant a certain value of commodities, it generally brings back, in return, at least an equal quantity of other commodities. When both are the produce of domestic industry, it necessarily replaces, by every such operation, two distinct capitals, which had both been employed in supporting productive labor. The capital which sends Scotch Manufactures to London, and brings back English Corn and Manufactures to Edinburgh, necessarily replaces, by every such operation, two British capitals, which had both been employed in the Agriculture or Manufactures of Great Britain.

"The Capital employed in purchasing Foreign goods for Home consumption, when this purchase is made with the produce of domestic industry, replaces too, by every such operation, two distinct capitals, but one of them only is employed in supporting domestic industry.

"The Capital which sends British goods to Portugal, and brings back Portuguese goods to Great Britain, replaces, by every such operation, only one British Capital; the other is a Portuguese one. Though the returns, therefore, of the Foreign trade of consumption, should be as quick as those of the Home Trade, the capital employed in it will give but *one half* the employment to the industry or productive labour of the country."

It will be seen from the above extract, that Adam Smith arrived at the conclusion, that Home Trade gives *double* the encouragement and support to domestic industry, as compared with Foreign.

J. B. Say says, in relation to the same subject :

"The British Government seems not to have perceived that the most profitable sales to a nation, are those made by one individual to another, within the nation; for these latter imply a national production of *two* values—the value sold, and that given in exchange."

A conclusion which will be perceived to be identical with that of Adam Smith.

Now then let us see what is the nature of the objections taken by McCulloch and Ricardo, to what appears to be a plain, but lucid statement of fact.

McCulloch says, in one portion of his work, on Political Economy :—

“ I shall not imitate the example of most writers on commerce, by entering into a lengthened examination of the question, whether the Home or the Foreign Trade be most advantageous. It is, indeed, quite obvious that it admits of *no satisfactory solution*.”

Unable to grapple with the question, so as to overcome it, McCulloch says, that it admits of *no satisfactory solution*.

In a work entitled “ Commerce,” by McCulloch, there occurs the following passage :

“ It is clear, therefore, that in estimating the comparative advantageousness of the Home and Foreign Trades, it will not do to look merely at the number of transactions in each. The *real question* is, which occasions the greatest sub-division of employments, and gives the most powerful spur to Industry? This, however, is a question that *does not* perhaps, admit of any *very satisfactory solution*.”

Further on, in the same work, McCulloch makes some additional remarks, in connection with the same subject, and concludes, by saying, that he refers, in support of his assertions, to Ricardo's Political Economy.

By a reference to Ricardo then, we find that he makes use of the following argument, to controvert the proposition of Adam Smith, which, as we before remarked, is identical with that of Say.

Ricardo says :

“ This argument appears to me to be fallacious, for though two capitals, one Portuguese and one English, be employed, as Dr. Smith supposes, still a capital will be employed in the Foreign trade, double of what would be employed in the Home trade. Suppose that Scotland employs a capital of £1000, in making linen, which linen she exchanges for the produce of a similar capital, employed in making silks in England, two thousand pounds and a proportional quantity of labor, will be employed in the two countries. Suppose now, that England discovers that she can import more linen from Germany, for the silks which she exported to Scotland, and that Scotland

discovers that she can obtain more silks from France in return for her linen, than she before obtained from England—will not England and Scotland immediately cease trading with each other, and will not the Home trade of consumption, be changed for a Foreign trade of consumption? But, although two additional capitals will enter into this trade—the capital of Germany, and that of France—will not the same amount of Scotch and English capital continue to be employed, and will it not give motion to the same quantity of industry as when it was engaged in the Home trade.”

Mr. Atkinson, the author of a clever production, regarding the formation of national wealth, whose language we are now using, ably refutes the argument of Ricardo, in the following remarks :

“ Now the foregoing argument contains two distinct propositions. The first is this:—

SCOTLAND.	ENGLAND.
Linen,	Silks.
£1000,	£1000,

Exchanged for each other, make a capital of £2000 value, and employ, as the author states, a proportional quantity of labor. Now the question to be tried is; What will be the effect of leaving off the exchanging or consuming these home productions, and converting the trade, from a Home into a Foreign? This the author proposes to shew will be followed with no ill effect, and, in order to prove his assertion, he changes the facts of his proposition thus:—

GERMANY,	FRANCE,
Linen.	Silks.
SCOTLAND,	ENGLAND,
Linen,	Silks.

Now in the factitious case, which the author has here constructed, he has set out by declaring Scotland to be a bad market for linen, and England a bad one for silks, on which account they cease to trade with each other. Having thus, in his first proposition, made England reject the production of Scotland, and Scotland reject the production of England, he has then, in his 2nd proposition, preserved both these rejected commodities, and made the Germans purchase the one, and the French the other; and by such an argument, has attempted to shew, that neither the capital of England nor that of Scotland will sustain injury. But it is self-evident, that the same reason which induced the people of Scotland to cease buying the silks of England, will also prevent the people of Germany from resorting to her Market; and the same reason which induced the people of England to cease buying the linens of Scotland, will likewise operate in preventing the people of France from doing so. In the natural course of things, France and Germany will trade with each other, for the two commodities adduced, and

England and Scotland must cease to manufacture them, whereby these two sources of exchangeable production must be, in the first instance, injured, and, in the next, lost. Thus it is evident, that the second, or altered proposition, is an error, and that its author has endeavoured to sustain his argument by supposing an impossible example.

"The problem, therefore, framed by Ricardo, and relied on by McCulloch, instead of overthrowing the proposition of J. B. Say and Adam Smith, presents nothing better than a confused mass of jarring and conflicting matter, which annihilates its own existence."

We may now enquire, what are the advantages which Free Trade offers in compensation for the destruction of a market, created by Agriculture and Manufactures, beneficially re-acting upon each other? and which is greatly superior to any that foreign commerce can confer.

The end of Free Trade in this Country, if we may judge by what has been said in its behalf, however speciously the object may have been concealed, is evidently to promote the Carrying Trade, the business of a few large Houses, and perhaps to increase the commissions of a few Brokers, which, as compared with the interests which Free Trade must necessarily destroy, is an end as frivolous as it may be in the minds of its advocates, sordid and base.

But we ask, in sober earnest, is the subject of the Carrying Trade a something existing within ourselves, or does it not rather belong to a Foreign Country, through the internal communications of which it is at present directed, by the combined force of association, circumstances and capital? And do not these considerations involve advantages infinitely greater in magnitude and more desirable in themselves, than the difference of a few cents upon the transit of a barrel of Flour, all, it is contended, that we have to offer in exchange?

Believing, in a local sense, the advocacy of Free Trade to be, in the main, based upon selfish principles, we might justly excuse ourselves from entering into an examination of the grounds upon which its success is made to appear, were it not that, by doing so, we shall obtain an insight

into the nature and extent of the ability which has been indicated by its most prominent supporters.

The principal, if not the only idea sought to be inculcated by the Free Trade Association, in 1846, was, that the produce of the remote regions of the West, bordering upon the upper Lakes, could be conveyed to Montreal, and from thence to the Markets of Great Britain, at considerably lower rates than from the same point, by the cheapest American routes, to New York, and from thence to the same destination.

This idea was enforced, and as the Gentlemen of the Free Trade Association no doubt thought confirmed, by the comparative Tables of Freight which they exhibited.

When, however, we reflect, that the statistics which entered into the compilation of these tables, were founded upon the continuance of the high rates of toll, and the monopoly rates of transport charged by forwarders, on the Erie Canal, during the currency of the year 1845, without making any allowance to meet the consequences which might be expected to result, either from competition or a reduction in the rates of toll, and that the most favorable construction was placed upon our own carrying facilities, by the reduction of the rates of downward freight to a point fully below the lowest figure at which it could remuneratingly be carried, we are naturally led to infer, that as the premises from whence the idea is deduced, are *uncertain*, the idea itself must be *uncertain likewise*.

But after all, if the correctness of the calculations and premises could be admitted, what was the actual difference in favor of the St. Lawrence route, which the exercise of the utmost ingenuity enabled the Gentlemen of the Free Trade Association to exhibit.

To illustrate this section of our subject, we subjoin the comparative tables of freight to which we have referred.

Table No. 1.

From any Port on Lake Ontario to Montreal, say, freight of a barrel of Flour, exclusive of tolls, 1s.; tolls, 4d.,.....	£0	1	4
Freight from Montreal to Liverpool, at 3s. 7d. currency,.....	0	3	7
		0	4 11
Charge <i>via</i> Oswego to Liverpool,.....	0	5	2
Difference in favor of St. Lawrence, from Montreal,	£0	0	3

Table No. 2.

From any Port on Lake Ontario to Quebec, say, freight of a barrel of Flour, exclusive of tolls, 1s. 3d.; tolls, 4d.,.....	0	1	7
Freight from Quebec to Liverpool, at 3s. currency,.....	0	3	0
		0	4 7
Charge <i>via</i> Oswego to Liverpool,.....	0	5	2
Difference in favor of St. Lawrence, from Quebec,	£0	0	7

Table No. 3.

Comparison of the rival Routes to the State of Maine.

COST TO PORTLAND BY THE ERIE CANAL.

Cleveland to Buffalo,.....	0	0	6
Buffalo to Albany,.....	0	2	6
Albany to Portland,.....	0	1	6
		0	4 6
Cleveland to Montreal,.....	0	1	8
Tolls,.....	0	0	7
Montreal to Portland,.....	0	1	6
		0	3 9
Difference in favor of St. Lawrence to Portland,	£0	0	9

By reference to Table No. 1, it will be seen that a difference of *three pence (!)* per barrel, is shewn in favor of the St. Lawrence route, a sum so insignificantly small as hardly to seem worthy of notice, much less to be made the determining point of the question in hand.

If the Gentlemen of the Free Trade Association really believed, that the difference of three pence per barrel would possess the magical effect of attracting the Produce of the Western States down the St. Lawrence, what opinion ought now to be entertained of their judgment in the matter, when we find, notwithstanding the advantages which Americans might have realized this season, *via* the St. Lawrence, by the conversion of their Wheat into Flour, in Canada, and the shipment of it to Great Britain, exceeded several times in amount the trifling difference referred to, that they have not thought proper to avail themselves of them.

Speaking from past experience, we believe that it would be as futile to endeavor to reach the convictions of some Free Traders, by reasonable means, as it might be to seek to convince men, who, by the acquisition of a few new ideas, had deluded themselves into a belief that they know every thing, and that no body besides can know any thing, we must therefore rely upon the good sense of the practical and experienced portion of the Commercial Community, to bear us out in this assertion, *that there are at present well known considerations, irrespective of Freight, which influence the transit of American Produce through American Waters.*

In Table No. 1, the freight of a barrel of Flour from any Port on Lake Ontario to Montreal, is rated at 1s., while the rate of freight which has been paid this season from Hamilton and Toronto has ranged from 1s. 3d. to 1s. 6d., making the average 1s. 4½d., which, adding in the premium of Insurance, not referred to in their calculation, but which ought to have been—would make the average rate, from

the points on Lake Ontario which we have designated, to be 1s. 8d. per barrel, instead of 1s.

Again, in Table No. 3, the freight of a barrel of Flour, from Cleveland to Montreal, is placed at 1s. 8d., a rate at which it would not pay, and for which the carriage would not be undertaken with the view of indemnifying the Forwarder, for the interest, wear and tear and profit upon his capital.

Three shillings per barrel, inclusive of Insurance, is allowed to be the minimum profitable price at which Flour can be transported from Cleveland to Montreal, though a mode, more ingenious than profound, has quite recently been resorted to by Free Traders to prove to the contrary.

For example, it is assumed that because 10,000 barrels of Flour have cost from Cleveland to Montreal, at the rate of 3s. per barrel, and 100 barrels of Indian Meal, 1s. 6d. per barrel, the average rate, for which Flour can be carried, from Cleveland to Montreal, is 2s. 3d. per barrel. Now this is a mode of argument upon which we need not dwell, further than to remark, that it betrays either the greatest possible amount of stupidity, or the greatest possible amount of design. Who ever dreamt, until now, of comparing, upon equal terms, little things with great, or of equalizing, by arbitrary means, great things with small?

The probable truth of the matter is, that the Indian Meal, the transport of which cost 1s. 6d. per barrel, was shipped under circumstances which precluded it from forming an element in the calculation at all.

We may here remark that our true policy, in respect to the carrying Trade of the West, would appear to be, to make such a rebatement from the established duty, on commodities imported *by sea* from the Countries of Production, as would not only stimulate and encourage the Merchants of Canada to undertake the direct importation of such Foreign Goods as enter into the consumption of the Country, but, at the same time, have the effect of directly

increasing the upward Freight upon our Canals, and thereby be the means of cheapening the rate of downward transportation, the cost of which will ultimately determine, in the absence of counteracting circumstances, whether the products of the Western States shall find an outlet to the Ocean *via* the Erie Canal or St. Lawrence.

Let us now assume, for the sake of convenience, that the most sanguine expectations of Free Traders are realized, and that the object for which they have been contending, namely, the superiority of the St. Lawrence route, is universally admitted. What, in that case, is the next step which Free Traders recommend?

They propose that Canadians, who enjoy the exclusive right of navigating the St. Lawrence to the Ocean, and who in consequence, possess a growing field for the employment of their labor, should invite the Americans, a rival people, to participate therein, by opening up to their use and benefit, without the exaction of an equivalent in return, the privileges which at present Canadians exclusively possess.

Generous as Free Traders affect to be, who does not believe, if the pecuniary interests of the Country were represented by them, that they would hesitate to do that for themselves, which, notwithstanding, they unhesitatingly recommend the Country to undertake.

Who among them is it, we would ask, who, finding himself possessed of a profitable trade, generously invites his neighbor to participate therein?

This matter, however, which involves important consequences, is happily not to be left to the decision of Free Traders alone, but to the voice of the Country, whose decision concerning it, we make no doubt, will be more in keeping with the dictates of prudence and common sense.

From what we have written, it will easily be inferred, that we dissent entirely from the measure recommended by the Free Trade Association, of Montreal, believing, as we do, that Free Trade is not only not the best line of policy

for this Country to adopt, but that it will necessarily limit and retard rather than promote the development of its resources, by affecting injuriously the employment of domestic industry, which constitutes, morally and politically, the only sure and certain basis of a country's prosperity ; while it will exercise a powerfully adverse influence upon the interests of all classes of its inhabitants.

In our next letter we shall embrace the consideration of the Policy of Protection, not in an indiscriminate sense, for there are limits to all reasonable things, but in such a sense as cannot fail to procure for the Country and industry thereof, the solid and lasting advantages, which the proper adjustment of the Protective Policy is certain to confer.

I remain,

Sir,

Your obedient humble servant,

D. V.

TO THE HON. L. H. LAFONTAINE,
Attorney General,
&c. &c. &c.

